



Administrator
Washington, DC 20201

JUL 30 2002

Mr. William Prince
Director
Department of Health and Human Services
State of South Carolina
P.O. Box 8206
Columbia, SC 29202-8206

Dear Mr. Prince:

We are pleased to inform you that your January 8, 2002, application for a Medicaid section 1115 demonstration titled "A Prescription Drug Benefit for South Carolina's Low-Income Seniors" has been approved as project number 11-W-00150/4 for the period of 5 years, beginning with the enrollment of the first demonstration participant. The approval is under authority of section 1115(a)(2) of the Social Security Act (the Act).

This approval will permit South Carolina to extend pharmacy benefits, with primary care coordination, to low-income seniors age 65 or above who are at or below 200 percent of the Federal poverty level (FPL) and who are not otherwise eligible for pharmacy benefits under the State plan approved under Title XIX of the Act (Medicaid). We commend you for your interest in expanding pharmacy benefits to this population. We are also pleased that you are interested in pursuing the use of a pharmacy benefits management program, and encourage you to continue to investigate additional private sector benefit management techniques.

The Centers for Medicare & Medicaid Services (CMS) has determined that the Prescription Drug Benefit for South Carolina's Low-Income Seniors program is likely to assist in promoting the objectives of the Medicaid program. This program would provide important medications to low-income seniors who otherwise would have spent large amounts on prescription drugs. Lack of ability to pay for needed prescription drugs is often a significant factor contributing to health problems of the low-income population. Those who use their limited financial resources to obtain needed drugs may do so by foregoing other expenditures important to their health and well-being. Expanded access to medically necessary drugs will make it much more likely that this category of individuals will be healthier and potentially able to remain not eligible for full Medicaid benefits. Furthermore, the Prescription Drug Benefit for South Carolina's Low-Income Seniors program would allow CMS to obtain valuable data regarding drug and other service utilization patterns for enrolled individuals.

Our approval of the Prescription Drug Benefit for South Carolina's Low-Income Seniors demonstration (and the Federal matching authority provided for thereunder) is contingent upon

the State's agreement to the enclosed special terms and conditions of approval. The special terms and conditions of approval also set forth in detail the nature, character, and extent of Federal involvement in this project. The award is subject to our receiving your written acceptance of the award within 30 days of the date of this letter.

Further, no later than 60 days from the date of this approval, you are required to provide to CMS, the final plan for the 3 tiered copay system and deductibles for this demonstration prior to implementation.

All requirements of the Medicaid program expressed in law, regulation, and policy statement, not expressly waived or identified as not applicable in this letter, shall apply to the Prescription Drug Benefit for South Carolina's Low-Income Seniors demonstration. Subject to approval of your protocol, as described in the special terms and conditions of approval, under the authority of section 1115(a)(2) of the Act, expenditures made by the State under the Prescription Drug Benefit for South Carolina's Low-Income Seniors for the items identified below (which are not otherwise included as expenditures under section 1903) shall, for a period of 5 years, beginning with the enrollment of the first demonstration participant, be regarded as expenditures under the State's title XIX plan:

Expenditures for extending pharmacy-only benefits to elderly individuals at or below 200 percent of the FPL who are not otherwise eligible for pharmacy benefits under an approved Medicaid State plan.

In addition, the following will not be applicable in this demonstration:

Cost Sharing and Premiums	1916
Amount Duration and Scope of Services	1902(a)(10)(B)
Retroactive Eligibility	1902(a)(34)
Premiums	1902(a)(14)
Eligibility	1902(a)(17)
Ex Parte Eligibility Re-determinations	1902(a)(19)
Program Integrity	1902(a)(46)

Your project officer will be Ms. Sue Gaston, who can be reached at (410) 786-6918. Your project officer is available to answer any questions concerning the scope and implementation of the project described in your application. Communications regarding program matters, and official correspondence concerning the project, should be submitted to the project officer at the following address:

Centers for Medicare and Medicaid Services
Center for Medicaid and State Operations
S2-01-16
7500 Security Boulevard
Baltimore, Maryland 21244-1850
E-mail: Sgaston@cms.hhs.gov

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Communications regarding program matters should be submitted simultaneously to the above listed project officer and Ms. Jessie Spillers at (404) 562-7418 in the Atlanta Regional Office.

Centers for Medicare and Medicaid Services
Division of Medicaid and State Operations
61 Forsyth Street, SW, Suite 4T20
Atlanta, Georgia 30303-8909
E-mail: Jspillers@cms.hhs.gov

We extend our congratulations on this award and look forward to working with you during the course of the project.

Sincerely,

/s/

Thomas A. Scully

Enclosure